

JAGUARLANDROVER KOREA CO., LTD.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021
(With Independent Auditors' Report Thereon)**

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Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholder
Jaguar Land Rover Korea Co., Ltd.:

Opinion

We have audited the financial statements of Jaguar Land Rover Korea Co., Ltd. (the "Company"), which comprise the statements of financial position as of March 31, 2022 and 2021, the statements of income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and its operation, changes in equity and its cash flows for the years then ended in accordance with Accounting Standards for Non-public Entities in the Republic of Korea ("K-GAAP").

Basis for Opinion

We conducted our audits in accordance with Korean Standards on Auditing ("KSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with K-GAAP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Seoul, Korea
June 17, 2022

This report is effective as of June 17, 2022 the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

JAGUARLANDROVER KOREA CO., LTD.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
MARCH 31, 2022 AND 2021**

The accompanying financial statements, including all footnote disclosures, were prepared by, and are the responsibility of, JaguarLandrover Korea Co., Ltd.

Robin Michael Colgan
Chief Executive Officer
JAGUARLANDROVER KOREA CO., LTD.

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION
AS OF MARCH 31, 2022 AND 2021

<u>A S S E T S</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
	(In Korean won)	
CURRENT ASSETS:		
Cash and cash equivalents (Notes 10)	₩ 60,071,195,507	₩ 18,915,608,853
Accounts receivable - trade, net of allowance for doubtful accounts of ₩258,963,279 as of March 31, 2022 and ₩905,783,370 as of March 31, 2021	17,290,181,592	21,598,294,247
Accounts receivable - other (Notes 12)	17,120,531,395	66,249,049,915
Accrued income	59,995,623	12,751,495
Advance payments	100,000,000	20,000,000
Prepaid expenses	330,760,044	1,209,443,910
Prepaid special consumption tax	488,518,273	922,801,910
Prepaid VAT	2,630,388,049	-
Deferred income tax assets (Note 9)	12,472,043,649	14,660,946,857
Inventories, net (Notes 3 and 12)	61,478,433,097	62,528,799,334
Short term loans	3,771,000,000	-
	<u>175,813,047,229</u>	<u>186,117,696,521</u>
NON-CURRENT ASSETS:		
Property and equipment, net	32,377,808	53,817,808
Intangible assets	96,345,098	498,060,055
Leasehold deposits	1,410,650,000	1,410,650,000
Other deposits, net of allowance (Note 14) for doubtful accounts of ₩1,511,345,451 as of March 31, 2022 and ₩1,891,002,889 as of March 31, 2021 (Note 14)	4,032,530,000	2,271,527,111
Deferred income tax assets (Note 9)	18,949,581,637	19,866,226,721
	<u>24,521,484,543</u>	<u>24,100,281,695</u>
TOTAL ASSETS	<u>₩ 200,334,531,772</u>	<u>₩ 210,217,978,216</u>

(Continued)

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
AS OF MARCH 31, 2022 AND 2021

<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>	<u>March 31, 2022</u>	<u>March 31, 2021</u>
	(In Korean won)	
CURRENT LIABILITIES:		
Accounts payable - trade (Notes 12 and 16)	₩ 10,488,331,960	₩ 6,986,918,122
Accounts payable - other (Notes 16)	17,720,576,983	23,523,041,540
Accrued expenses (Note 16)	73,276,685,676	55,519,628,559
Advance receipts	88,780,140	382,144
Value-added tax (VAT) payable	-	675,669,033
Current income tax liabilities	-	798,082,954
Deferred revenue (Note 4)	32,745,671,011	39,305,881,206
Current warranty provision (Note 5)	1,125,010,983	1,390,070,639
Restructuring cost provision (Note 5)	-	1,020,608,193
	<u>135,445,056,753</u>	<u>129,220,282,390</u>
NON-CURRENT LIABILITIES:		
Accrued severance indemnities, net	2,330,376,290	2,524,958,256
Warranty provision (Note 5)	590,605,635	637,715,493
Deferred revenue (Note 4)	47,307,036,521	65,711,594,984
	<u>50,228,018,446</u>	<u>68,874,268,733</u>
TOTAL LIABILITIES	<u>185,673,075,199</u>	<u>198,094,551,123</u>
SHAREHOLDER'S EQUITY:		
Capital stock (Notes 1 and 6)	50,000,000	50,000,000
Additional paid-in capital (Note 6)	5,933,957,086	5,933,957,086
Retained earnings (Note 7)	8,677,499,487	6,139,470,007
	<u>14,661,456,573</u>	<u>12,123,427,093</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>₩ 200,334,531,772</u>	<u>₩ 210,217,978,216</u>

(Concluded)

See accompanying notes to the financial statements.

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	March 31, 2022	March 31, 2021
	(In Korean won)	
SALES :		
Sales of merchandise	₩ 262,630,379,598	₩ 257,134,758,303
Sales of parts	102,733,554,722	109,500,121,347
Rendering of services	344,000,000	335,606,043
Subtotal	365,707,934,320	366,970,485,693
COST OF SALES (Notes 3 and 13):		
Cost of sales of merchandise	(230,992,224,418)	(228,671,372,454)
Cost of sales of parts	(96,102,173,735)	(89,219,372,619)
Subtotal	(327,094,398,153)	(317,890,745,073)
GROSS PROFIT	38,613,536,167	49,079,740,620
SELLING AND ADMINISTRATIVE EXPENSES (Notes 15)	(28,563,954,201)	(38,985,593,488)
OPERATING INCOME	10,049,581,966	10,094,147,132
OTHER INCOME (EXPENSES):		
Interest income	212,111,838	120,702,442
Gain or Loss on foreign currency transactions, net	7,386,228	(2,458,774)
Donation	(109,434,997)	(20,000,000)
Restructuring cost (Note 5)	-	(1,020,608,193)
Others, net	1,795,641,417	906,169,988
Subtotal	1,905,704,486	(16,194,537)
INCOME BEFORE INCOME TAX EXPENSE	11,955,286,452	10,077,952,595
INCOME TAX EXPENSE (Note 9)	(3,302,786,972)	(3,963,483,572)
NET INCOME	₩ 8,652,499,480	₩ 6,114,469,023
EARNINGS PER SHARE (Note 8)	₩ 865,250	₩ 611,447

See accompanying notes to the financial statements.

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	<u>Capital stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>	<u>Total shareholder's equity</u>
	(In Korean won)			
Balance, April 1, 2020	₩ 50,000,000	₩ 5,933,957,086	₩ 48,697,303,984	₩ 54,681,261,070
Dividend payable	-	-	(48,672,303,000)	(48,672,303,000)
Net income	-	-	6,114,469,023	6,114,469,023
Balance, March 31, 2021	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 6,139,470,007</u>	<u>₩ 12,123,427,093</u>
Balance, April 1, 2021	₩ 50,000,000	₩ 5,933,957,086	₩ 6,139,470,007	₩ 12,123,427,093
Dividend payable	-	-	(6,114,470,000)	(6,114,470,000)
Net income	-	-	8,652,499,480	8,652,499,480
Balance, March 31, 2022	<u>₩ 50,000,000</u>	<u>₩ 5,933,957,086</u>	<u>₩ 8,677,499,487</u>	<u>₩ 14,661,456,573</u>

See accompanying notes to the financial statements.

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	March 31, 2022	March 31, 2021
	(In Korean won)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 8,652,499,480	₩ 6,114,469,023
Expenses not involving cash outflows:		
Provision for severance indemnities	590,719,473	998,564,357
Warranty provision	764,776,115	624,730,662
Depreciation	21,440,000	457,864,835
Amortization	407,286,957	1,490,125,498
Bad debt expense	(1,026,477,529)	1,476,061,237
Loss(Gain)on inventory revaluation	(2,099,979,135)	1,242,250,294
Restructuring cost	-	1,020,608,193
	(1,342,234,433)	7,310,205,076
Subtotal		
Income not involving cash receipt:	-	-
Changes in assets and liabilities resulting from operations:		
Accounts receivable - trade	4,954,932,746	(2,242,623,338)
Accounts receivable - other	49,128,518,520	52,103,483,102
Accrued income	(47,244,128)	52,506,097
Advance payments	(80,000,000)	48,000,000
Prepaid expenses	878,683,866	(681,992,199)
Prepaid special consumption tax	434,283,637	6,612,248,753
Value added tax (VAT) receivable	(2,630,388,049)	-
Deferred income tax assets	3,105,548,292	5,920,818,934
Inventories	3,150,345,372	125,411,989,083
Accounts payable - trade	3,854,880,632	(69,074,901,839)
Accounts payable - other	(5,802,067,042)	(5,817,489,853)
Accrued expenses	17,403,192,808	(14,734,021,360)
Advance receipts	88,397,996	(32,769,743)
Value-added tax (VAT) payable	(675,669,033)	132,859,671
Current income tax liabilities	(798,082,954)	(5,398,274,132)
Deferred revenue	(24,964,768,658)	(21,697,459,165)
Warranty provision	(1,076,945,629)	(1,737,803,420)
Restructuring cost provision	(1,020,608,193)	-
Payments of severance indemnities	(785,301,125)	(1,200,941,006)
	45,117,709,058	67,663,629,585
Subtotal		
Net cash provided by operating activities	52,427,974,105	81,088,303,684

(Continued)

JAGUAR LANDROVER KOREA CO., LTD.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

	March 31, 2022	March 31, 2021
	(In Korean won)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash inflows from investing activities:		
Decrease in leasehold deposits	-	434,971,500
Decrease in other deposits	509,657,438	-
Subtotal	509,657,438	434,971,500
Cash outflows for investing activities:		
Increase in short term loans	3,771,000,000	-
Acquisition of software	5,572,000	90,048,000
Increase in leasehold deposits	-	28,000,000
Increase in other deposits	1,891,002,889	3,882,000,000
Subtotal	(5,667,574,889)	(4,000,048,000)
Net cash used in investing activities	(5,157,917,451)	(3,565,076,500)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash inflows from financing activities:		
	-	-
Cash outflows for financing activities:		
Dividend payment	(6,114,470,000)	(76,666,537,000)
Net cash used in financing activities	(6,114,470,000)	(76,666,537,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,155,586,654	856,690,184
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	18,915,608,853	18,058,918,669
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	₩ 60,071,195,507	₩ 18,915,608,853

(Concluded)

See accompanying notes to the financial statements.

JAGUARLANDROVER KOREA CO., LTD.
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED MARCH 31, 2022 AND 2021

1. GENERAL:

JaguarLandrover Korea Co., Ltd. (the “Company”), was incorporated on October 1, 2008, through the spin-off from Premier Automotive Group Korea Co., Ltd. (“PAG Korea”), under the Foreign Capital Inducement Law of the Republic of Korea in order to engage in the import and distribution of Jaguar and Landrover brand vehicles and parts in Korea. As of March 31, 2022, the Company’s total issued common stock amounted to ₩50,000 thousand and the Company is wholly owned by Jaguar Land Rover Limited, a UK corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements were authorized for issue by the Board of Directors on April 26, 2022, which will be submitted for approval to the shareholder’ meeting to be held on June 30, 2022.

The significant accounting policies followed by the Company in preparation of the financial statements are as follows.

a. Statement of compliance

The financial statements have been prepared in accordance with Accounting Standards for Non-public Entities in the Republic of Korea (“K-GAAP”), as prescribed in the Act on External Audits of Corporations in the Republic of Korea.

b. Basis of measurement

The financial statements have been prepared on the historical cost basis, except as otherwise noted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

c. Use of estimates and judgments

The preparation of the financial statements in conformity with K-GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 - Deferred revenue
- Note 5 - Provision for warranties
- Note 9 - Income taxes
- Note 14 - Commitments and Contingencies

Management expects the operations to be affected to some extent by COVID-19 pandemic since early 2020, but the extent and duration of COVID-19 impact on the operations are uncertain, so we cannot reasonably estimate the financial impact of COVID-19.

d. Basis of Presentation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language (“Hangul”) in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are intended for use by those who are informed about Accounting Standards for Non-Public Entities in the Republic of Korea (KAS-NPEs). The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company’s financial position, results of operations, changes in shareholder’s equity or cash flows, is not presented in the accompanying financial statements.

e. Cash Equivalents

Cash equivalents are highly liquid investments and short-term financial instruments with maturities of three months or less from the acquisition date, which are readily convertible without significant transaction cost and do not have significant risk of changes in interest rates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

f. Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts to cover estimated losses on receivables based on management's analysis of the collectability of individual outstanding receivables.

g. Inventories

Inventories are stated at the lower of cost or net realizable value, with cost being determined using the identified cost method, except for parts which cost is determined using the moving-average method and inventory in transit for which cost is determined using the specific identification method. The Company maintains perpetual inventory system, which is adjusted to physical inventory counts performed at year-end.

When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations. In that case, the situation that caused the loss on valuation of inventories is dissolved; new market value is more than the carrying amount; and the carrying amount is increased to the new market value, until it does not exceed the original acquisition cost.

h. Property and Equipment

Property and equipment are stated at cost (acquisition cost or manufacturing cost, plus expenditure directly related to preparing the asset ready for use in time for a place, net of sales discount given) and assets acquired from investment in-kind, by donation or free of charge are stated at fair value. When an asset is exchanged for a similar-kind asset, the asset received is stated at the carrying value of the asset given. When an asset is exchanged for a different-kind asset, the asset received is stated at the fair value of the asset given. When there is uncertainty as to the fair value of the asset given, the asset received is recorded at its fair value.

If the costs incurred after acquisition or completion increase the future economic benefit of an asset, such costs are capitalized. If the costs can be objectively measured and incurred to replace an existing asset, the existing asset is removed from the financial statements. Costs incurred to repair and maintain assets are expensed as incurred.

Property and equipment are depreciated using the straight-line method from the time when the assets are ready for use (ready for their intended use by the management in time and place) over their economic useful lives summarized below. Depreciation expense is recognized as manufacturing cost if it relates to manufactured goods or as selling and administrative expense for all other cases, as incurred.

	<u>Useful lives (years)</u>
Leasehold equipment	5
Office equipment	5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

i. Intangible assets

Intangible assets measured at acquisition cost less accumulated amortization.

Intangible assets are amortized using the straight-line method from the time when the assets are ready for use over their economic useful lives(3 or 5 years) with zero residual value.

Amortization expense is recognized as selling and administrative expense or cost of sales for all other cases, as incurred.

j. Impairment of Assets

At the end of the reporting period, the Company reviews the carrying values of assets, except for financial assets, inventories, assets generated from construction contracts, deferred tax assets, biological assets and non-current assets of discontinued operations to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying value of the asset is reduced to its recoverable amount, and an impairment loss is immediately recorded in profit or loss. If a tangible asset (an individual asset or cash-generating unit) has impairment indication and cash flow from disposition of asset is less than its carrying amount, the carrying value of the asset is reduced to the net proceed on disposition, and an impairment loss is immediately recorded in profit or loss.

Also, in regard of impairment loss indicators, assets not in use and assets held for future use are estimated for recoverable amounts.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of goodwill is estimated to be less than its carrying amount, an impairment loss is allocated to reduce the carrying value of the goodwill, and then allocated to reduce the carrying value of individual assets (or cash-generating unit(s)). The allocated amounts to individual assets cannot be lower than the larger of estimated recovered amount, value in use amount or zero.

k. Translation of Assets and Liabilities Denominated in Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the internal exchange rates. Gains or losses arising from foreign currency transactions and the translation of foreign currency assets and liabilities are charged or credited to current operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

l. Accrued Severance Indemnities

In accordance with the Company's policy, all employees in service are entitled to receive severance indemnity payments upon termination of their employment, based on their current rate of salary and length of service. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to terminate at the date of reporting period-end.

Actual payment for severance indemnities amounted to ₩785,301 thousand and ₩1,200,941 thousand for the years ended March 31, 2022 and 2021, respectively.

m. Warranty Provision

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is highly likely that reimbursement will be received and the amount of the receivable can be measured reliably.

n. Revenue Recognition

Revenue is recognized at the collected price or the collectible price, less sales discount or sales returns, when goods or products sold are delivered. The Company recognizes the portion of sales price related to the service plan and other programs included in the price of goods as deferred income, which are recognized as revenue when the related services are provided in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued

o. Income Tax Expense

The Company recognizes deferred income tax assets or liabilities for the temporary differences between the carrying amount of an asset and liability for the financial reporting purposes and the amounts used for income tax purposes. A deferred tax liability is generally recognized for all taxable temporary differences with some exceptions and a deferred tax asset is recognized to the extent when it is probable that taxable income will be available against which the deductible temporary difference can be utilized in the future. Deferred income tax asset (liability) is classified as a current or non-current asset (liability) depending on the classification of related asset (liability) in the statements of financial position. Deferred income tax asset (liability), which does not relate to a specific asset (liability) account in the statement of financial position, such as a deferred income tax asset recognized for tax loss carryforwards, is classified as a current or non-current asset (liability) depending on the expected reversal period. Deferred income tax asset and liability in the same tax jurisdiction and in the same current or non-current classification are presented on a net basis. Current and deferred income tax expenses are included in income tax expense in the statements of income and additional income tax or tax refunds for the prior periods are included in income tax expense for the current period when recognized. However, income tax resulting from transactions or events, which was directly recognized in shareholder's equity in current or prior periods, or business combinations is directly adjusted to equity account or goodwill (or a gain from a bargain purchase in business combination).

3. INVENTORIES:

Details of inventories as of March 31, 2022 and 2021 are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
Merchandise	₩ 11,197,121	₩ 18,404,419
Parts	36,136,678	35,006,967
Inventory in transit	18,572,011	15,644,770
Valuation reserve	<u>(4,427,377)</u>	<u>(6,527,357)</u>
Total	<u>₩ 61,478,433</u>	<u>₩ 62,528,799</u>

The reversal on valuation of inventory, which is included in the cost of sales, amounted to ₩2,099,979 thousand for year ended March 31, 2022 and the loss on valuation of inventory, which was included in the cost of sales, amounted to ₩1,242,250 thousand for year ended March 31, 2021.

4. DEFERRED REVENUE:

Changes in deferred revenue for the years ended March 31, 2022 and 2021 are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
Beginning balance	₩ 105,017,477	₩ 126,714,936
Provision	14,565,149	13,193,334
Usage	<u>(39,529,918)</u>	<u>(34,890,793)</u>
Ending balance	<u>₩ 80,052,708</u>	<u>₩ 105,017,477</u>

The sales price of vehicle includes the consideration for the future maintenance service at the time of sale. Therefore, the company recognizes revenue on shipment for pure portion of vehicle sales, and the price of such services plans are deferred at the time of the sale and is recognized as revenue when the related services are provided subsequently.

5. WARRANTY PROVISION:

Changes in warranty provision for the years ended March 31, 2022 and 2021 are as follows (In thousands of Korean won):

1) Warranty provision

	March 31, 2022	March 31, 2021
Beginning balance	₩ 2,027,786	₩ 3,140,859
Provision	764,777	624,731
Usage	<u>(1,076,946)</u>	<u>(1,737,803)</u>
Ending balance	<u>₩ 1,715,617</u>	<u>₩ 2,027,786</u>

2) Restructuring cost provision

	March 31, 2022	March 31, 2021
Beginning balance	₩ 1,020,608	₩ -
Provision	(20,569)	1,020,608
Usage	<u>(1,000,039)</u>	<u>-</u>
Ending balance	<u>₩ -</u>	<u>₩ 1,020,608</u>

Voluntary resignation was officially announced on March 2021. The cost of restructuring which will be paid when they resign was recognized as restructuring cost.

6. CAPITAL STOCK:

Details of capital stock as of March 31, 2022 and 2021 are as follows (In Korean won):

	March 31, 2022	March 31, 2021
Authorized shares	40,000 shares	40,000 shares
Issued and outstanding shares:		
Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Par value per share	<u>₩ 5,000</u>	<u>₩ 5,000</u>
Capital stock	<u>₩ 50,000,000</u>	<u>₩ 50,000,000</u>

There were no changes in capital stock for the years ended March 31, 2022 and 2021.

7. RETAINED EARNINGS:

The statements of appropriation of retained earnings for the years ended March 31, 2022 and 2021 are as follows (In Korean won):

	March 31, 2022	March 31, 2021
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Unappropriated retained earnings carried over from prior period	₩ 7	₩ 984
Net income	<u>8,652,499,480</u>	<u>6,114,469,023</u>
End of period	<u>8,652,499,487</u>	<u>6,114,470,007</u>
APPROPRIATION		
Dividend	<u>(8,652,499,000)</u>	<u>(6,114,470,000)</u>
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT PERIOD	<u>₩ 487</u>	<u>₩ 7</u>

Details of calculation of dividend payout ratio for the years ended March 31, 2022 and 2021 are as follows (In Korean won):

	March 31, 2022	March 31, 2021
Dividend		
Dividend per share (Dividend rate)	₩ 865,250 (17,305%)	₩ 611,447 (12,229%)
Issued and outstanding shares: Common stock	<u>10,000 shares</u>	<u>10,000 shares</u>
Total	<u>₩ 8,652,499,000</u>	<u>₩ 6,114,470,000</u>

8. EARNINGS PER SHARE:

Basic net income per share for the years ended March 31, 2022 and 2021 are calculated as follows (In Korean won):

	March 31, 2022	March 31, 2021
Net income	₩ 8,652,499,480	₩ 6,114,469,023
Number of common share outstanding	10,000 shares	10,000 shares
Earnings per share	₩ 865,250	₩ 611,447

The number of common shares outstanding was not changed for the years ended March 31, 2022 and 2021.

9. INCOME TAX:

(1) Details of income tax expense

Income tax expense for the years ended March 31, 2022 and 2021 are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
Current income tax charge	₩ 20,793	₩ (1,957,336)
Changes in deferred tax assets (Note)	3,105,549	5,920,819
Additional payment of income taxes applicable to prior year	176,446	-
Income tax expense	₩ 3,302,787	₩ 3,963,484

(Note) Changes in deferred tax assets related to temporary differences for the years ended March 31, 2022 and 2021, are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
Beginning balance	₩ 34,527,174	₩ 40,447,993
Ending balance	31,421,625	34,527,174
Changes in deferred tax assets	₩ 3,105,549	₩ 5,920,819

9. INCOME TAX: Continued

(2) Reconciling items between income before tax and income tax expense

Reconciling items between income before tax and income tax expense for the years ended March 31, 2022 and 2021, are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
Income before income tax expense	₩ 11,955,286	₩ 10,077,953
Statutory tax rate	<u>11%, 24.2%</u>	<u>11%, 24.2%</u>
Income tax expense at statutory rate	2,608,163	2,195,150
Adjustments (Note)	<u>694,624</u>	<u>1,768,334</u>
Income tax expense	<u>₩ 3,302,787</u>	<u>₩ 3,963,484</u>
Effective tax rate	<u>27.63%</u>	<u>39.33%</u>

(Note) Adjustment items between income tax expense at statutory tax rate and the recorded tax expense for the years ended March 31, 2022 and 2021, are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
Non-deductible expenses	₩ 215,596	₩ 185,019
Additional payment of income taxes applicable to prior year	176,445	-
Others	<u>302,583</u>	<u>1,583,315</u>
Total	<u>₩ 694,624</u>	<u>₩ 1,768,334</u>

9. INCOME TAX: Continued

(3) Accumulated temporary differences and deferred tax assets as of March 31, 2022 and 2021, are as follows (In thousands of Korean won):

	March 31, 2022	March 31, 2021
<u><Accumulated temporary differences></u>		
Beginning balance, net	₩ 142,674,272	₩ 167,140,464
Increase in the current period	<u>(12,832,845)</u>	<u>(24,466,192)</u>
Ending balance, net	129,841,427	142,674,272
Income tax rate (Note)	<u>24.2%</u>	<u>24.2%</u>
Deferred tax assets	<u>₩ 31,421,625</u>	<u>₩ 34,527,174</u>
<u><Deferred tax assets></u>		
Current assets	₩ 12,472,044	₩ 14,660,947
Non-current assets	<u>18,949,581</u>	<u>19,866,227</u>
Deferred tax assets	<u>₩ 31,421,625</u>	<u>₩ 34,527,174</u>

(Note) The average tax rate, which is expected to be applied in the period in which the related temporary differences are expected to reverse, was used for the measurement of deferred tax assets and deferred tax liabilities.

10. STATEMENTS OF CASH FLOWS:

The Company's statements of cash flows are prepared using the indirect method. The cash and cash equivalents in the statements of cash flows are the same as the cash and cash equivalents in the statements of financial position.

There is no significant non-cash transactions for the years ended March 31, 2022 and 2021.

11. INSURANCE:

Insured coverage carried by the Company as of March 31, 2022 is as follows (In thousands of Korean won and foreign currencies):

<u>Insured</u>	<u>Insured coverage</u>	<u>Insured period</u>	<u>Insurance company</u>
Directors and officers Insurance	1,126,450	2021.7.01 ~ 2022.6.30	Allianz Global Corporate & Specialty SE
Commercial Liability Insurance	GBP 2,000,000	2021.5.31 ~ 2022.5.31	Mitsui Sumitomo Insurance
Product Guarantee	519,000	2016.2.20 ~ 2022.5.22	Hyundai Marine & Fire Insurance
Personal information protection insurance	500,000	2022.1.1 ~ 2023.1.1	Hyundai Marine & Fire Insurance
Car repair (EW) Insurance	102,276,486	2017.5.21 ~ 2027.5.30	Hyundai Marine & Fire Insurance
Used Car repair Insurance	2,860,000	2019.4.01 ~ 2024.5.30	Hyundai Marine & Fire Insurance
Property package insurance	352,861,092	2021.5.31 ~ 2022.5.31	Hanwha General Insurance Co., Ltd.
Employee welfare Insurance	326,848,140	2021.10.14 ~ 2022.10.13	Meritz Fire & Marine Insurance Co., Ltd.
New car exchange cost insurance	60,000	2021.5.30 ~ 2022.5.30	DB Insurance

The Company carries comprehensive insurance for its vehicles with KB insurance Co., Ltd.

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

(1) As of the end of the 2022 and the prior 2021, our controlling dependencies are as follows.

Description	March 31, 2022	March 31, 2021
Name of parent entity	Jaguar Land Rover Ltd.	Jaguar Land Rover Ltd.

(2) Significant transactions and account balances with related parties as of and for the years ended March 31, 2022 and 2021 are as follows (In thousands of Korean won):

Description	Related parties	March 31, 2022	March 31, 2021
<u>Transactions:</u>			
Vehicle purchase(*)	Jaguar Land Rover Ltd.	₩ (198,430,430)	₩ (70,199,466)
Parts purchase(*)		(88,061,810)	(66,388,145)
Warranty		54,692,534	68,004,539
Others		(1,025,384)	2,543,308
Purchases and other	Spark44 Limited Seoul.	(638,339)	(1,480,423)
Others	Jaguar Land Rover Singapore Pte Ltd	-	(1,720)
<u>Accounts balances:</u>			
Accounts receivable - other (*)	Jaguar Land Rover Ltd.	₩ 15,423,883	₩ 64,701,060
Accounts payable - trade	Jaguar Land Rover Ltd.	14,826,629	6,684,707
Accounts payable - trade	Spark44 Limited Seoul	-	167,764
Accounts payable - other	Jaguar Land Rover Ltd.	57,354,352	-

(*) The purchase amount reflects the transfer price adjustment gains and losses.

13. PROFIT (LOSS) ON TRANSFER PRICE ADJUSTMENT:

The Company purchased most of inventories from related parties, Jaguar Land Rover Ltd. Transfer price adjustment received (paid) from related parties are accounted for as cost of sales.

Loss on transfer price for inventory purchase in current year is 18,049 million won and gain on transfer price for inventory purchase in previous year was 40,042 million won. Total amount is included in cost of sales for the year ended March 31, 2022 and 2021.

14. COMMITMENTS AND CONTINGENCIES:

(1) Retailer and Repairer Agreement

As of March 31, 2022, the Company has entered into dealer sales and service agreements with 10 companies, including Chunil Automobile, KCC Automobile and others.

(2) Litigations

As of March 31, 2022, the Company is involved in one legal litigation case as a defendant with total claim amounting to 40 millions of Korean won. The ultimate outcome of the litigation cannot be determined yet.

(3) As of March 31, 2022, the Company maintains general loan commitment of 638 millions of Korean won with Citibank Korea Inc.

(4) As of March 31, 2022, the Company signed an agreement with KB Capital on payment guarantees for credit offerings of dealers, and the guarantee amount is 5.4 billion won and the provision for bad debts is 1.5 billion won.

15. VALUE-ADDED INFORMATION:

Details of valued-added information included in administrative expense for the years ended March 31, 2022 and 2021 are as follows (In thousands of Korean won):

Description	March 31, 2022	March 31, 2021
Salary	₩ 4,889,206	₩ 5,571,815
Provision for severance indemnities	590,719	998,564
Employee welfare	1,531,301	1,375,184
Depreciation	21,440	457,865
Amortization	407,287	1,490,125
Rent	3,867,644	4,193,894
Taxes and dues	92,367	166,957

16. FINANCIAL INSTRUMENTS:

Contractual maturities of the Company's financial liabilities as of March 31, 2022 and 2021 are as follows (In thousands of Korean won):

March 31, 2022

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 10,488,332	₩ -	₩ 10,488,332
Accounts payable-other	17,720,577	-	17,720,577
Accrued expenses	<u>73,005,851</u>	<u>-</u>	<u>73,005,851</u>
	<u>₩ 101,214,760</u>	<u>₩ -</u>	<u>₩ 101,214,760</u>

March 31, 2021

	<u>Under 3 months</u>	<u>3 months–1 year</u>	<u>Total</u>
Accounts payable-trade	₩ 6,986,918	₩ -	₩ 6,986,918
Accounts payable-other	23,523,042	-	23,523,042
Accrued expenses	<u>55,214,021</u>	<u>-</u>	<u>55,214,021</u>
	<u>₩ 85,723,981</u>	<u>₩ -</u>	<u>₩ 85,723,981</u>

The Company establishes short-term and long-term fund management plans. The Company then analyzes and reviews actual cash outflow and its budget to match the maturity profiles of financial assets and liabilities. Management of the Company believes that financial liability may be redeemed by cash flow arising from operating activities and financial assets.

Independent Auditors' Review Report on Internal Accounting Control System

English Translation of a Report Originally Issued in Korean

To the President of
Jaguar Land Rover Korea Co., Ltd.:

We have reviewed the accompanying Report on the Assessment of Internal Accounting Control System ("IACS") of Jaguar Land Rover Korea Co., Ltd. (the "Company") as of March 31, 2022. The Company's management is responsible for designing and maintaining an effective IACS and for its assessment of the effectiveness of the IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of the IACS, the Company's management stated: "Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively as of March 31, 2022, in all material respects, in accordance with the IACS Framework."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether the Report on the Assessment of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of the Company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion. However, as the Company is a privately-held large enterprise, the design, operations and assessment of its IACS are limited compared with those of publicly-held large enterprises, under Chapter 5, "Application for Small and Medium-sized Enterprises" of IACS Standards. As such, we performed our review in accordance with Chapter 14, "Review Standards for Small and Medium-sized Enterprises".

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Korean Accounting Standards for Non-public Entities. Because of its inherent limitations, however, the IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that the Report on the Assessment of Internal Accounting Control System as of March 31, 2022 is not prepared, in all material respects, in accordance with Chapter 5, "Application for Small and Medium-sized Enterprises" of the IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of March 31, 2022. We did not review the Company's IACS subsequent to March 31, 2021. This report has been prepared for Korean regulatory purposes, pursuant to the Act on External Audit of Stock Companies, Etc., and may not be appropriate for other purposes or for other users.

Seoul, Korea
June 17, 2022

Notice to Readers

This report is annexed in relation to the audit of the financial statements as of March 31, 2022 and the review of Internal accounting control system pursuant to Article 8-7 of the Act on External Audits of Corporations in the Republic of Korea.

Report on the Assessment of Internal Accounting Control System ("IACS")

To the Shareholder, Board of Directors and Auditor of
Jaguar Land Rover Korea Co., Ltd.

I, as the Chief Executive Officer ("CEO") and Internal Accounting Control Officer ("IACO") of Jaguar Land Rover Korea Co., Ltd. ("the Company"), assessed the status of the design and operation of the Company's IACS for the year ended March 31, 2022

The Company's management including IACO is responsible for designing and operating IACS.

I, as the CEO and the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements reporting. I, as the CEO and the IACO, applied Chapter 5 "Application for Small and Medium-sized Enterprises" of the IACS framework for the assessment of design and operations of IACS.

Based on the assessment of the IACS, the Company's IACS has been appropriately designed and is operating effectively As of March 31, 2022, in all material respects, in accordance with the IACS Framework.

April 26, 2022

Internal Accounting Control Officer

Myung Hwa Jang



Chief Executive Officer

Robin Michael Colgan

